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Local News - Local News - November 13, 2009

Shared-work program sees brisk demand

Partial unemployment benefits help employers cut costs and avoid layoffs

By Kim Crompton

Of the Journal of Business



As sales softened over the last couple of years, locally based manufacturer EZ Loader Boat Trailers Inc. was concerned about the increasing likelihood of having to lay off a sizable number of employees, so it decided to seek help through the Washington state Employment Security Department's shared-work program.

Bill Baker, the company's human-resources director, says it was a wise move that "has worked out wonderfully."

The shared-work program enables employers to reduce temporarily the work hours of their full-time employees by up to 50 percent while the workers collect partial unemployment

benefits to replace a portion of their lost wages. The intent is to help employers reduce their payroll costs, but retain skilled workers and thereby avoid the expense of recruiting, hiring, and training new employees when the economy improves and revenues increase.

"We were looking at having to make some fairly substantial cuts," possibly including some longtime employees, but the shared-work program helped avoid those layoffs, Baker says.

"Our employees love it," he says, adding that at least in EZ Loader's case, "The reduction in pay is much less than if you were on regular unemployment. I really recommend it to employers."

Nearly 2,500 businesses and 47,000 employees across the state, including more than 180 businesses and 3,800 employees in Spokane County, 145 of whom work for EZ Loader, currently are approved to participate in the program. That statewide number is up sharply from just 145 employers and about 5,700 employees a year ago.

Bill Tarrow, the Employment Security Department's business outreach manager, says, "The numbers continue to move up. We're getting anywhere from about 10 to 20 applications a day. I honestly believe that they'll continue (to grow) at about the same pace next year."

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The program was created in 1983, but Tarrow says, "it tends to run under the radar in good times."

Employment Security Commissioner Karen Lee says that, in the past, about 90 percent of participating employees worked in manufacturing, but that has changed dramatically in the current recession.

The number of manufacturing-industry participants is up sharply, but participation by wholesale trade, construction, and retail workers through the employer-initiated program has grown at an even faster percentage rate.

At the end of August, 68 percent of workers participating in the program were in the manufacturing sector, 9 percent in wholesale trade, 6 percent in construction, and 5 percent each in retail trade and the professional,

scientific, and technical-services industries.

"The shared-work program is one of the ways Employment Security is helping businesses and workers turn hard times into better times," Lee says. "We hear over and over how grateful they are that this option is available to their employees."

A recent survey showed the program has helped most participating employers reduce their payroll by as much as 30 percent. Nearly 60 percent of survey respondents said they believed the program had helped their business survive the recession, and almost 90 percent said they would recommend the program to other businesses.

Just 17 states in the nation have enacted a shared-work program to help employers avoid layoffs, the Employment Security Department says. It says California leads the nation with some 6,000 employers and 186,000 workers approved to participate in the program, and Washington ranks second.

Through the shared-work program, the state paid out about \$1.1 million in unemployment benefits in 2007, more

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than \$4 million in 2008, and more than \$31 million so far this year.

Tarrow says, though, that many business owners in the state still might not know about the program, so the agency is working to boost awareness of it.

Both private- and public-sector employers are eligible to participate, and employers of all sizes are accepted. Any company can participate as long as it has been a registered business in the state for at least six months before applying for the program. Under legislation adopted this year, shared-work benefits may be paid for up to 52 weeks. Previously, workers could receive their partial benefits for only up to 26 weeks. If a plan expires, the employer can reapply for another year.

Another important change implemented this year, Tarrow says, allows an employer to place even just one or two workers in the program.

Previously, he says, the program required an employer to include at least 10 percent of its work force in the program. Employment Security says it's seeing more mom-and-pop businesses with one to 10 employees wanting to participate.

Only full-time, hourly workers are eligible for the program. Also, they must have worked at least 460 hours for the shared-work employer in the quarter before the employer applies to participate in the program, they must be eligible for regular unemployment benefits, and they must be able and available to work all hours offered by the shared-work employer. Also, health benefits must continue as if those workers' hours had not been reduced.

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Employment Security estimates that about 10 percent of employers with approved plans haven't actually used the program. Tarrow says he encourages employers to apply for the program even if they aren't sure when they will use it, because that way they can activate it quickly.

The program isn't intended for use in slowdowns that are an expected part of an industry or business. In other words, it can't be used to support seasonal businesses during the off season, nor companies that traditionally use part-time employees.

It also won't subsidize corporate officers or employees paid on a piece rate, mileage rate, job rate, or salary or commission basis.

Employers must reduce the weekly work hours of their participating employees by at least 10 percent, but not more than 50 percent. For example, the work schedule for a full-time employee who typically works 40 hours a week must be reduced by at least four hours, but not more than 20 hours.

Although a shared-work plan can last for up to a year, if an applying employer's request is for less than a year, it still counts as that employer's one plan for the year, so in most instances it's best to open a plan for the full year so it will be available if the employer needs it, the state agency says. Also, although the limit obviously is 52 weeks of partial unemployment benefits in each one-year plan, the weeks don't need to be consecutive if an employer decides to use fewer than the maximum, it says.

EZ Loader's Baker says he likes the program because of the flexibility it provides. A shared-work employee, for example, might have his hours cut by 50 percent one week, work full time the next week, and work only 75 percent the following week—depending on the employer's needs, and he says Employment Security makes it "very simple to do" in terms of the documentation.

"It's a wonderful thing," he says, "and it's wonderful for our employees."

Application documents and other information about the shared-work program area available online by searching under "shared work" on the agency's Web site, at www.esd.wa.gov.

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